

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SSM-05 CIAE-00 DODE-00 PM-05 H-02  
INR-10 L-03 NSAE-00 NSC-05 PA-02 SP-02 SS-15  
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FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC 6228  
INFO AMCONSUL ALEXANDRIA

UNCLAS CAIRO 06851

E.O. 11652: N/A  
TAGS: ECON, PINT, EG  
SUBJ: INTERNAL ECONOMIC ISSUES DOMINATE SADAT SPEECH  
- IN PORT SAID MARCH 1

1. SUMMARY. PRESIDENT SADAT'S SPEECH IN PORT SAID MARCH 1 FOCUSED ON DOMESTIC PROBLEMS. HE ADMONISHED PEOPLES ASSEMBLY HE WOULD REVIEW NEW TAX LAW PERSONALLY AND WOULD "SEND IT BACK" IF PROVISIONS NOT JUST AND FAIR. SADAT ADDRESSED DIRECTLY SLOW PACE OF ECONOMIC DEVELOPMENT, CHIDING POPULACE FOR APATHY AND DEPENDENCE ON GOVERNMENT AND CHALLENGING THEM TO BE "PIONEERS" IN BATTLE FOR ECONOMIC DEVELOPMENT. END SUMMARY

2. HIGHLIGHT OF PRESIDENT SADAT'S RECENT (AND CONTINUING) VISIT TO CANAL ZONE WAS SPEECH GIVEN IN PORT SAID MARCH 1. ACCORDING PRESS REPORTS, SADAT, ACCOMPANIED BY VP MUBARAK AND PM SALEM, RECEIVED HERO'S WELCOME IN TOUR THROUGH CITY PRIOR TO ADDRESS. PRESIDENT CHOSE OCCASION TO FOCUS ON DOMESTIC ECONOMIC. HE PRAISED EFFORTS OF PORT SAID CITIZENS TO RECONSTRUCT CITY FOLLOWING "VICTORY OF OCTOBER 1973." HE CHALLENGED ALL WHO  
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CRITICIZE FREE ZONE EXPERIMENT TO COME TO PORT SAID TO LOOK AT PROGRESS BEING MADE. SADAT SAID PORT SAID'S EFFORTS SHOULD BE EXAMPLE TO REST OF EGYPT OF KIND OF WORK WHICH NEEDS TO BE DONE IF "RECONSTRUCTION BATTLE" IS TO BE WON. HE CALLED ON ALL EGYPTIAN INSTITUTIONS, CITING SPECIFICALLY PEOPLES ASSEMBLY, TO RELIEVE EGYPTIAN PEOPLE OF THEIR HARDSHIPS. IN THIS CONNECTION, HE

MENTIONED NEW TAXATION LAW WHICH PA NOW DEBATING. SADAT PROMISED TO STUDY LAW HIMSELF AND SAID HE WOULD RETURN IT TO PA IF IT DID NOT TREAT ALL CITIZENS FAIRLY.

2. HITTING HARD AT PROBLEM OF LOW PRODUCTIVITY AND LACK OF INTERNAL INVESTMENT AND SAVINGS, SADAT SAID THAT AT ONE TIME EGYPTIAN (READ: NASSER) REGIME HAD UNDERMINED INDIVIDUAL EFFORT AND TALENT AND AS RESULT PEOPLE BECAME APATHETIC AND DEPENDENT UPON STATE FOR EVERYTHING. HE AFFIRMED POLICY OF NO CONFISCATION OR SEQUESTRATION AND SAID POPULATION SHOULD WORK FOR "PROFIT," REMEMBERING TO HONOR OBLIGATION TO SOCIETY.

3. PRESIDENT EMPHASIZED IMPORTANCE OF NEW CITIES IN SOLVING POPULATION EXPLOSION AND OF RECLAMATION OF DESERT IN BOOSTING AGRICULTURAL PRODUCTION. HE PREVIEWED PLAN TO "INVITE" UNIVERSITY GRADUATES TO GO TO THESE NEW AREAS AS PIONEERS. PRESIDENT ALSO MENTIONED IMPORTANCE HE ATTACHES TO EXPANSION OF SOCIAL INSURANCE UMBRELLA TO ALL CITIZENS. HE ALSO THREW IN PITCH FOR PASSAGE OF LAW (BASED ON SHARIA CONCEPTS) GIVING INCREASED RIGHTS TO WOMEN.

4. COMMENT: SADAT'S SPEECH WAS CATCHALL REVIEW OF PROBLEMS FACING ECONOMIC DEVELOPMENT IN EGYPT. TAX BILL, NOW IN ITS EIGHTH MONTH OF FORMAL PA DEBATE, UNCLASSIFIED

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APPEARS LESS AND LESS LIKELY TO PROVIDE RELIEF FOR LOW INCOME EARNERS OR TO PROVIDE MORE EFFICIENT TAXATION OF HIGH INCOME GROUPS. BY HITTING AT LACK OF PRODUCTIVITY AND INVESTMENT, SADAT WAS TRYING HARD TO PUT PART OF BURDEN FOR OVERCOMING PROBLEMS OF INCREASING INFLATION AND SLOW PACE OF DEVELOPMENT ON POPULACE; HE PORTRAYED GOVERNMENT AS DOING ITS BEST. (CABINET SAME DAY APPROVED AND SENT TO PEOPLES ASSEMBLY NEW CIVIL SERVICE/PUBLIC SECTOR WAGE INCREASE AND JOB RECLASSIFICATION BILL.) SPEECH OFFERED NO REAL HOPE OF BETTER ECONOMIC CONDITION UNLESS PEOPLE TAKE UP CHALLENGE OF DEVELOPMENT.

3. SADAT'S DEFENSE OF PORT SAID FREE ZONE ALSO SIGNIFICANT. HE HAS MADE IT FORCEFULLY CLEAR THAT FREE ZONE IS HERE TO STAY DESPITE WELL KNOWN CRITICISM BY ECONOMIC ADVISERS. BASED ON RECEPTION SADAT RECEIVED FROM POPULACE, PORT SAID FULLY APPRECIATIVE OF PRESIDENT'S SUPPORT. ELTS

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